

**TITLE: CIB 90-5 Bid and Proposal Costs for 8(a) Contractors**

AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON. D.C. 20523

February 5, 1990

MEMORANDUM FOR ALL CONTRACTING OFFICERS AND NEGOTIATORS

TO: Distribution List FAC

FROM: DAA/MS, John F. Owens, Procurement Executive

SUBJECT: Bid and Proposal Costs for 8(a) Contractors

**CONTRACT INFORMATION BULLETIN 90-5**

A copy of a 1/22/90 memo from OMB concerning bid and proposal costs for 8(a) contractors is reproduced on the back of this CIB. The memo is mostly self-explanatory with the possible exception of the reference to the Business Opportunity Development Reform Act, P.L. 100-656 (the "Act"). The Act was implemented by FAR Circular 84-52, distributed in late November '89; its basic requirements are summarized in FAR 19.805 as established by FAR Circular 84-52.

EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

OFFICE OF FEDERAL PROCUREMENT POLICY

January 22, 1990

MEMORANDUM FOR AGENCY PROCUREMENT EXECUTIVES

FROM: Allan V. Burman  
Administrator Designate

SUBJECT: Use of Advance Agreements to Establish  
Allowable Bid and Proposal Costs for 8(a)  
Contractors

I want to bring to your attention a potential problem regarding the establishment of bid and proposal (B&P) costs ceilings for contractors participating in the Small Business Administration's 8(a) program. The formula for allowable bid and proposal costs set forth at Federal Acquisition Regulation (FAR) section 31.205-18 requires that such costs be based on the B&P costs incurred by a firm in the preceding three years. This formula may be unfair to 8(a) firms who, in the past, did not need to expend much capital on B&P costs because 8(a) contracts were awarded noncompetitively. That situation has been changed, however, by the introduction of competition into the 8(a) program by the Business Opportunity Development Reform Act, P.L. No. 100-656.

FAR 31.205-18(c) (2) (iv) provides a potential solution to this problem. It authorizes the contracting officer to negotiate an advance agreement for B&P costs when the contractor can demonstrate that the three-year B&P formula would produce a clearly inequitable result. Please encourage contracting officers in your agency to use this provision in those situations where an 8(a) contractor has spent a low amount of B&P funds in the past and, therefore, would be faced with an unrealistically low ceiling under the three-year formula. Thank you for your cooperation.